

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3161 - SB 3218

March 1, 2012

SUMMARY OF BILL: Declares it is the public policy of this state that all products, including all food and beverages, sold at concession stands located at any public postsecondary institution of the Tennessee Board of Regents or University of Tennessee be used as a means to showcase Tennessee products. Requires that on or after July 1, 2012, any products, including food and beverages, sold at concession stands at any such institution shall be Tennessee products if such products are made in Tennessee. This requirement shall apply to concessions operated directly by the institution or by a contract entity.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$167,500

Assumptions:

- Concession operations on TBR and UT campuses are managed by food service contractors that pay commissions to the institutions. These contractors procure food and beverages through contracts with nationwide wholesalers.
- According to TBR and UT, limiting procurement choices to Tennessee products will increase wholesale prices by limiting price competition.
- TBR and UT assume that wholesale food and beverage costs will increase by five percent once contractors pass on a portion of the higher costs through reduced commissions paid to the institutions.
- According to UT, athlete concessions generate about \$3,000,000 annually in commissions. A five percent reduction in commissions paid to institutions will decrease state revenue by \$150,000 (\$3,000,000 x 5%).
- According to TBR, athletic concessions at TBR institutions generate approximately \$350,000 annually in commissions. A five percent reduction in commissions paid to institutions will decrease state revenue by \$17,500 (\$350,000 x 5%).
- The total decrease in state revenue will be \$167,500 (\$150,000 + \$17,500).
- Current multi-year concession contracts will remain in effect.
- No fiscal impact on the Department of Human Services.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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